

General Motors Company

Addressing the key Q's on UAW's GM strike

Automobile Manufacturers | Comment

GM

Target price (12M, US\$)
50.00
Outperform

- **Yesterday the UAW called for a strike of GM's US factories.** From a bottom line standpoint, the impact could potentially be nominal if the strike is resolved quickly; yet, the longer it lasts, the more it will be felt in GM's earnings profile. For the stock, while we remain positive on GM's 2H and 2020 set-up given trucks/cost actions, the strike potentially could dampen the earnings, and at the very least is an optical negative and a reminder of the challenges of investing in automakers at this point in the cycle.
- **Gauging the financial impact:** With no offsets, we estimate the impact of lost production at ~\$50mn+ EBIT per day, assuming daily prod of ~7.5-8k units; for context, we estimate total GMNA 3Q / 2019 EBIT of \$3.7bn / \$12bn. Yet to the extent a strike lasts only a nominal period of time, the impact could be limited – GM could potentially offset lost production once the strike ends; it could also use the strike as an opportunity to keep inventory levels in-line. There may also be cost offsets with production offline.
- **What are the sticking points?** While there are a number of UAW sticking points (i.e. replacing work at impacted 'unallocated' factories), arguably the largest sticking point is on temp workers – ~7% of GM's hourly workforce. The UAW wants to limit the number of temp workers, while temps are important to GM amid a weakening cycle backdrop.
- **Putting the negotiations in context:** There are several key backdrops likely adding some tension to the negotiations: 1. In the face of an eroding cycle, the automakers are seeking added flexibility, yet the UAW may be resistant to make major negotiations, esp. for GM given its profitability; 2. GM's capacity shutdown last Nov likely added tension, even though GM has sought to replace all the impacted jobs; 3. A federal probe among UAW leaders has likely eroded the confidence of rank-and-file members.
- **Risk of spreading to Ford and FCA:** For now there is no impact to Ford and FCA as the UAW signed indefinite contract extensions with them. While it's certainly possible that a strike could arise at either automaker, note that the GM strike in part arose due to GM's capacity shutdown from last Nov (a move specific to GM). Note for Ford, they may seek added flexibility given they are still in the early stages of their transformation.

Financial and valuation metrics

Year	12/18A	12/19E	12/20E	12/21E
EPS (CS adj.) (US\$)	6.54	6.94	7.02	6.36
Prev. EPS (US\$)	-	-	-	-
P/E (x)	5.9	5.6	5.5	6.1
Total co. revenue (US\$ m)	147,049	145,239	136,420	133,383
Total co. EBIT (US\$ m)	11,783	12,459	12,672	11,093
Total co. EBIT margin (%)	8.0	8.6	9.3	8.3
Net debt (US\$ m)	-7,477	-10,835	-14,622	-17,274
Number of shares (m)	1,427.73	IC (current, US\$ m)		23,277.00
Net debt (Next Qtr., US\$ m)	-7,042.6	Dividend (current, US\$)		1.52
Net debt/tot eq (Next Qtr., %)	-19.8			

Source: Company data, Refinitiv, Credit Suisse estimates

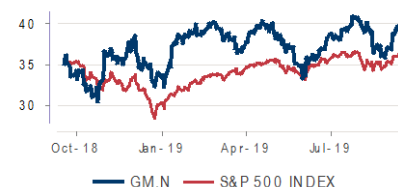
Price (13 Sep 19, US\$)	38.86
52-week price range	40.88 - 30.56
Market cap (US\$ m)	55,481.56
Enterprise value (US\$ m)	44,647.00

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Share price performance



On 13-Sep-2019 the S&P 500 INDEX closed at 3007.39Daily
Sep14, 2018 - Sep13, 2019, 09/14/18 = US\$34.63

Quarterly EPS	Q1	Q2	Q3	Q4
2018A	1.43	1.81	1.87	1.43
2019E	1.41	1.64	2.07	1.83
2020E	-	-	-	-

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General Motors Company (GM)

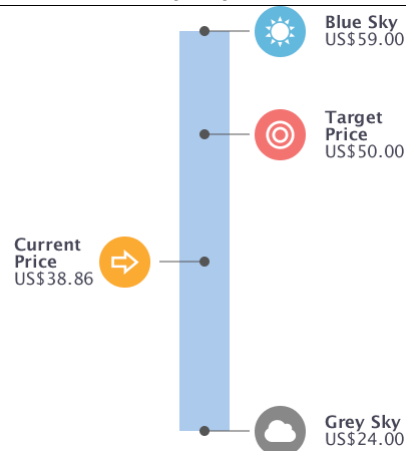
Price (13 Sep 2019): **US\$38.86**Target Price: **50.00**Analyst: **Dan Levy**Rating: **Outperform**

Income Statement	12/18A	12/19E	12/20E	12/21E
Automotive revenue (US\$ m)	133,036.0	130,665.5	121,457.4	117,780.9
EBITDA (US\$ m)	16,028	17,744	17,511	16,072
Depr. & amort.	(6,138)	(7,160)	(6,712)	(6,892)
Automotive EBIT (US\$)	9,890	10,584	10,798	9,179
Net interest exp	(320)	(350)	(356)	(356)
PBT (US\$)	11,495	12,084	12,346	10,766
Income taxes	(2,001)	(1,989)	(2,222)	(1,938)
Net profit (US\$)	9,364	9,970	9,974	8,679
Other NPAT adjustments	(1,449)	(522)	(164)	0
Cash Flow	12/18A	12/19E	12/20E	12/21E
Net interest	(320)	(350)	(356)	(356)
Change in working capital	1,627	(3,183)	(408)	(35)
Cash flow from operations	11,132	11,506	13,978	14,027
CAPEX	(8,701)	(8,140)	(7,530)	(7,302)
Free cashflow to the firm	2,431	3,366	6,447	6,725
Acquisitions	-	-	-	-
Divestments	-	-	-	-
Cash flow from investments	(7,639)	(8,479)	(7,530)	(7,302)
Net share issue/repurchase	(100)	(100)	(500)	(2,000)
Dividends paid	(2,183)	(2,229)	(2,160)	(2,073)
Changes in Net Cash/Debt	1,862	3,358	3,788	2,652
Balance Sheet (US\$)	12/18A	12/19E	12/20E	12/21E
Cash & cash equivalents	22,019	26,882	30,669	33,321
Account receivables	5,917	5,639	5,242	5,083
Other current assets	1,646	3,052	3,052	3,052
Total fixed assets	38,507	39,254	40,072	40,482
Total assets	227,339	236,794	244,898	248,956
Total current liabilities	47,922	47,366	45,679	45,297
Shareholder equity	30,754	38,236	42,227	44,439
Total liabilities and equity	227,339	236,794	244,898	248,956
Net debt	(7,477)	(10,835)	(14,622)	(17,274)
Per share	12/18A	12/19E	12/20E	12/21E
No. of shares (wtd avg)	1,431	1,436	1,421	1,364
CS adj. EPS	6.54	6.94	7.02	6.36
Prev. EPS (US\$)	-	-	-	-
Dividend (US\$)	1.52	1.52	1.52	1.52
Free cash flow per share	1.70	2.34	4.54	4.93
Earnings	12/18A	12/19E	12/20E	12/21E
Sales growth (%)	(0.3)	(1.8)	(7.0)	(3.0)
EBIT growth (%)	(15.1)	7.0	2.0	(15.0)
Net profit growth (%)	(5.2)	6.5	0.0	(13.0)
EPS growth (%)	(1.2)	6.1	1.1	(9.3)
EBITDA margin (%)	12.0	13.6	14.4	13.6
EBIT margin (%)	7.4	8.1	8.9	7.8
Pretax margin (%)	8.6	9.2	10.2	9.1
Net margin (%)	7.0	7.6	8.2	7.4
Valuation	12/18A	12/19E	12/20E	12/21E
EV/EBITDA (x)	3.2	2.9	2.9	3.2
P/E (x)	5.9	5.6	5.5	6.1
Returns	12/18A	12/19E	12/20E	12/21E
ROIC (%)	35.1	32.3	32.1	27.7
Gearing	12/18A	12/19E	12/20E	12/21E
Net debt/equity (%)	(24.3)	(28.3)	(34.6)	(38.9)
Quarterly EPS	Q1	Q2	Q3	Q4
2018A	1.43	1.81	1.87	1.43
2019E	1.41	1.64	2.07	1.83
2020E	-	-	-	-

Company Background

General Motors Company designs, builds and sells automobiles and automobile parts worldwide. GM also provides automotive financing services primarily through General Motors Financial Company, Inc. (GM Financial).

Blue/Grey Sky Scenario



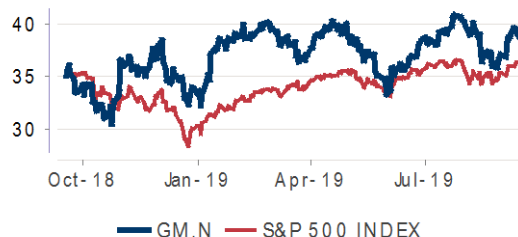
Our Blue Sky Scenario (US\$) 59.00

Our Blue Sky scenario of \$59 is derived from a P/E multiple of 7.0x on FY'20 EPS of \$7.02; however, our Blue Sky scenario includes an additional \$13.3bn of equity value attributable to GM Cruise.

Our Grey Sky Scenario (US\$) 24.00

Our Grey Sky scenario of \$24 is based on a 15% decline in North America vehicle unit sales, ultimately leading to a \$2.27 hit to EPS; the resulting \$4.75 of 2020 EPS at a 5.0x multiple results in our \$24 Gray Sky scenario.

Share price performance



On 13-Sep-2019 the S&P 500 INDEX closed at 3007.39
Daily Sep14, 2018 - Sep13, 2019, 09/14/18 = US\$34.63

Source: Company data, Refinitiv, Credit Suisse estimates

■ **Gauging the financial impact:** The primary financial impact of a strike to GM relates to lost production. With no offsets, we estimate the impact of lost production at ~\$50mn+ EBIT per day; for context, we estimate total GMNA 3Q / 2019 EBIT of \$3.7bn / \$12bn, with total co. EBIT fairly similar in those periods. There are several considerations around this:

- Our estimate of ~\$50mn+ assumes ~7.5-8k units/day of lost production, at a variable profit contribution in the low \$8k/unit range; for reference, IHS Automotive forecasts GM's Sep'19 production in US plants at 169k units, and GM likely has some plants running at three shifts (albeit not the majority), vs. the typical two shifts.
- Our estimate assumes no offset. Yet to the extent the strike lasts only a nominal period of time, the impact may be limited. GM could potentially offset lost production once the strike ends by implementing a third shift / overtime in certain plants. Moreover, GM could also use the strike as an opportunity to keep inventory levels in-line – i.e. GM inventory currently elevated for vehicles in the large pickup space (Sierra, Silverado – albeit they'd likely try to max production).
- Our estimate only reflects the impact of the lost production. There could potentially be some cost offsets with production offline.
- Also of question is how the strike impacts Canada/Mexico, which account for 35-40% of GMNA production. While production in Canadian and Mexican assembly plants won't be offline due to the strike, there could be potential impact related to impacted engine/transmission plants in the US which service Canada/Mexico assembly plants.

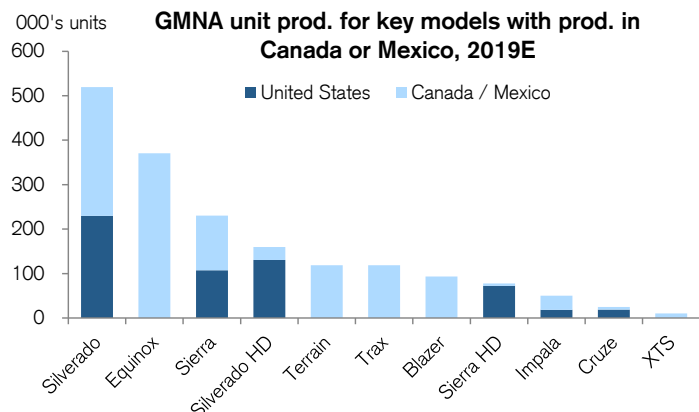
And as to the question of whether Canada/Mexico could offset lost US production, this is likely not the case, with the exception of models that have dual production in both the US and Canada/Mexico (i.e. Silverado, Sierra).

Figure 1: GMNA production by assembly plant; 39% of GMNA's est. 2019 production is expected to occur outside of the U.S.

Plant	Country	Model	Sep 2019	Q3 2019	CY 2019
Ingersoll #2	Canada	Equinox	16,387	45,711	184,868
Oshawa #1	Canada	Impala, XTS	4,236	11,849	42,463
Oshawa #2	Canada	Sierra, Sierra HD, Silverado, Silverado HD	9,055	24,576	90,655
Total	Canada	<i>represents 10% of GM's 2019E prod.</i>	29,678	82,136	317,986
Ramos Arizpe #2	Mexico	Blazer, Cruze, Equinox	20,927	68,382	241,398
San Luis Potosi	Mexico	Equinox, Prisma, Terrain, Trax	23,736	65,904	282,859
Silao	Mexico	Sierra, Silverado	29,917	96,869	356,369
Total	Mexico	<i>represents 29% of GM's 2019E prod.</i>	74,580	231,155	880,626
Arlington	United States	Escalade, Escalade ESV, Suburban, Tahoe, Yukon, Yukon XL	28,882	94,185	317,824
Bowling Green	United States	Corvette	1,577	4,731	15,842
Detroit-Hamtramck	United States	CT6, Impala, LaCrosse, Volt	2,555	7,529	35,196
Fairfax	United States	Malibu, XT4	16,299	45,016	171,311
Flint Truck	United States	Sierra HD, Silverado HD	21,417	57,407	202,951
Fort Wayne	United States	Sierra, Silverado	28,483	87,925	337,166
Lansing Delta Township	United States	Enclave, Traverse	17,784	57,394	224,227
Lansing Grand River	United States	ATS, Camaro, CT4, CT5, CTS	4,861	12,530	54,017
Lordstown	United States	Cruze	0	0	18,636
Orion	United States	Bolt EV, Sonic	5,016	13,295	50,276
Spring Hill #2	United States	Acadia, XT5, XT6	18,088	37,084	184,443
Springfield	United States	Express, Savana	1,458	3,734	16,534
Wentzville	United States	Canyon, Colorado, Express, Savana	23,027	74,315	276,313
Total	United States	<i>represents 61% of GM's 2019E prod.</i>	169,447	495,145	1,904,736

Source: IHS Automotive

Figure 2: The selection of models assembled outside the U.S. is slim, yet a few of the models are of key importance (i.e. Silverado, Sierra, Equinox, etc.)

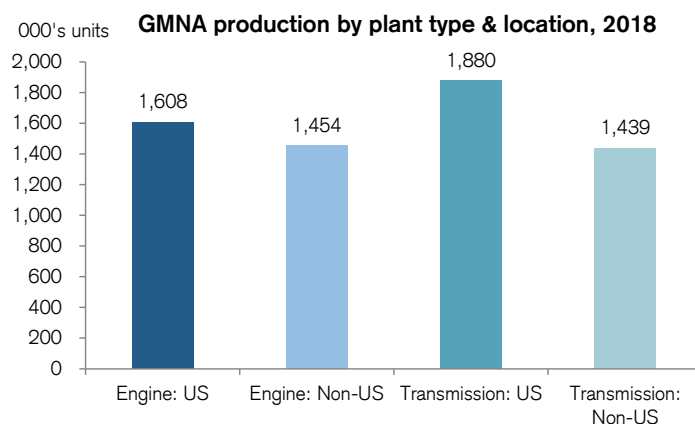


Source: IHS Automotive

Note: Models listed above are all models of significant volume that are produced in Canada or Mexico, add 'l the U.S. volumes are also displayed when they applicable

Note:

Figure 3: Even if models are assembled outside of the U.S., Canada / Mexico plant production may be disrupted if they are reliant on U.S. engine or transmission plants



Source: IHS Automotive

Note: Non-U.S. represents Canada and Mexico; 2018 figures are estimated, as they were pulled from IHS in Nov'18 – prior to YE

Figure 4: Gross stock, inventory day sales, and unit production by model; gross stock was up y/y at the end of Aug'19 for a few of GM's most profitable models, such as the Silverado, Sierra, Equinox

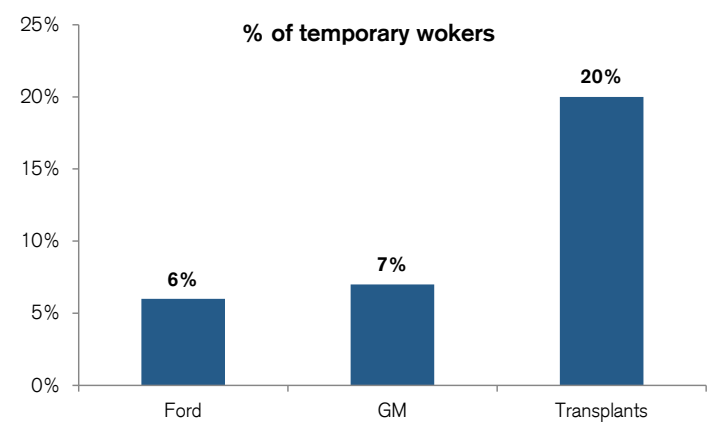
Brand	Subseries	Segment	U.S. Inventory Gross Stock			U.S. Inventory Days Sales			NA Estimated Production		
			8/2018	8/2019	Delta	8/2018	8/2019	Delta	Sep 2019	Q3 2019	CY 2019
Chevrolet	Silverado	Pickup	160,902	196,394	35,492	101	93	(8)	61,818	184,383	679,070
Chevrolet	Equinox	CUV	64,355	68,225	3,870	63	63	0	31,031	91,313	370,424
GMC	Sierra	Pickup	59,246	77,787	18,541	96	84	(12)	27,054	82,394	308,071
Chevrolet	Traverse	CUV	25,638	32,370	6,732	58	57	(1)	13,516	43,620	171,381
Chevrolet	Malibu	Sedan	37,794	20,686	(17,108)	118	41	(77)	13,365	36,711	133,390
Chevrolet	Colorado	Pickup	35,537	32,089	(3,448)	75	71	(4)	10,822	34,926	128,734
Chevrolet	Tahoe	SUV	26,653	22,928	(3,725)	67	57	(11)	11,410	37,206	125,939
GMC	Terrain	CUV	30,201	26,817	(3,384)	95	83	(11)	10,681	31,208	118,879
Chevrolet	Trax	CUV	26,954	37,494	10,540	122	71	(51)	10,444	28,168	118,760
GMC	Acadia	CUV	27,474	23,437	(4,037)	158	82	(75)	9,044	18,698	104,744
Chevrolet	Blazer	CUV	0	28,899	28,899	0	105	105	8,894	29,308	93,332
Chevrolet	Express Cargo	Van	12,931	18,710	5,779	60	73	13	7,684	24,128	91,003
Chevrolet	Suburban	SUV	14,510	11,678	(2,832)	69	58	(10)	5,921	19,307	64,273
Cadillac	XT5	CUV	15,194	12,071	(3,123)	75	74	(1)	3,979	8,393	53,030
Buick	Enclave	CUV	19,550	12,706	(6,844)	119	76	(43)	4,268	13,774	52,846
GMC	Yukon	SUV	17,328	14,519	(2,809)	118	87	(31)	4,767	15,544	51,090
Chevrolet	Impala	Sedan	4,196	8,857	4,661	15	50	35	5,769	15,299	50,358
Chevrolet	Camaro	Sedan	15,981	14,073	(1,908)	86	81	(5)	4,374	11,995	41,156
Cadillac	XT4	CUV	509	10,624	10,115	0	79	79	2,934	8,305	37,921
GMC	Canyon	Pickup	12,995	9,436	(3,559)	107	90	(18)	3,224	10,405	37,205
GMC	Yukon XL	SUV	12,087	9,606	(2,481)	143	100	(43)	3,033	9,891	34,180
Cadillac	XT6	CUV	0	5,231	5,231	0	93	93	5,065	9,993	26,669
Cadillac	Escalade	SUV	6,505	7,388	883	98	102	4	2,308	7,526	25,932
Cadillac	Escalade ESV	SUV	4,126	5,108	982	60	85	25	1,443	4,711	16,410
Chevrolet	Corvette	Sedan	6,514	6,303	(211)	100	87	(14)	1,577	4,731	15,842
Buick	Encore	CUV	34,280	38,751	4,471	127	110	(18)	Produced outside of NA		
Buick	Envision	CUV	13,953	10,754	(3,199)	164	104	(60)	Produced outside of NA		
Other									9,280	26,499	152,709
Total Expected Production									273,705	808,436	3,103,348

Source: Wards Infobank, IHS Automotive

- **What are the sticking points?** Major sticking points for the UAW include: GM's use of temp workers (with the UAW seeking a limit), giving new hires a quicker route to making senior-level wages of more than \$30/hr, and securing work for some of the impacted plants in GM's capacity announcement from last Nov¹.

In particular, we'd especially flag the issue of temp workers. While GM came out with an attractive offer (see details below), the issue of temp workers likely remains central. ~7% of GM's hourly workforce are temps (a number which fluctuates given seasonality, and is likely a high watermark), and temps get paid as little as \$15/hr – half the wage of senior factory workers². Temps are important to GM in a weakening cycle backdrop (see below), while the UAW is trying to reduce the number of temps as a means to boost membership of full-time workers.

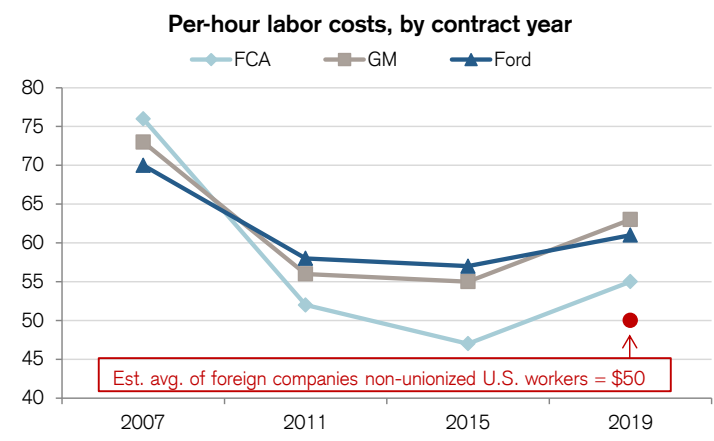
Figure 5: Foreign companies utilize temp workers in the U.S. far more than the D3...



Source: Automotive News Research, Center for Automotive Research, Global Automakers

Note: Transplant automakers include Toyota, Honda, Nissan, Subaru, Hyundai, Kia, Mercedes, BMW

Figure 6: This likely contributes to the foreign companies paying lower avg. wages in the U.S. than the D3



Source: Center for Automotive Research; WSJ

Note: Chrysler was a part of Daimler Chrysler in 2007

- **What has GM offered?** GM came out with a significant offer, addressing jobs, wages, benefits, and investment. It's unclear to us where the offer fell short for the UAW, though we note there is no mention in the offer re: temp workers:
 - Over \$7bn in investments and more than 5,400 jobs, including: solutions for the Lordstown and Hamtramck plants; investments in eight facilities in four states; introduction of an all-new electric truck; the opportunity to become the first union-represented battery cell mfg site in the US.
 - Best-in-class wages and benefits: wage or lump sum increases in all four years; improved profit sharing formula; ratification payment of \$8,000; retain nationally-leading health care benefits; new coverage of autism therapy care, chiropractic care and allergy testing.
- **How did we get here?** It's important to place the strike in the context of the underlying backdrop. Most notably, we'd cite several key points:

¹ See: Welch, David, "GM strike risk rises as UAW contract deadline looms", *Bloomberg*, 9/11/19

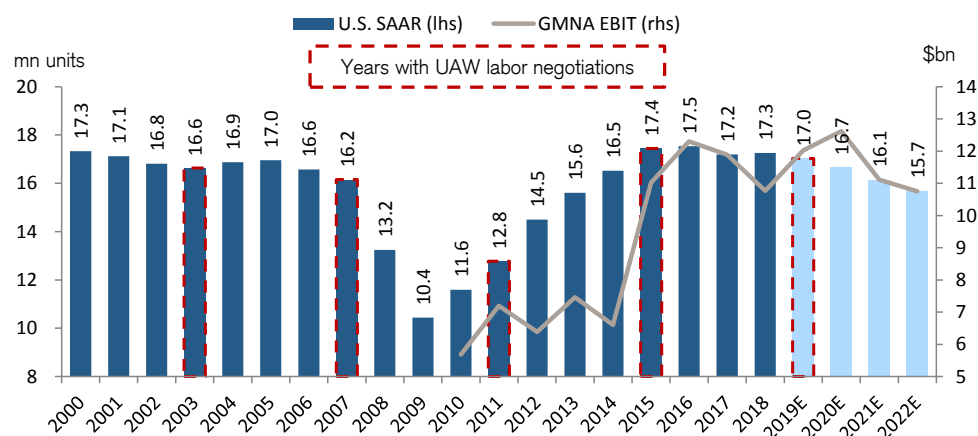
² Ibid., Welch

- **Eroding cycle:** The primary difference between the current negotiations vs. the prior negotiations in 2015 is that the current negotiations are being held with a backdrop of cycle that is long-in-the-tooth and is likely to see some erosion in the coming years; conversely, the 2015 negotiations were held under a stronger industry backdrop.

To be clear, the current US auto industry is still quite healthy – SAAR has remained largely plateaued in the 17mn range in recent years, and mix has continued to improve. However, with likely continued modest erosion to the US auto industry at a minimum, and with potential for an even weaker industry if the US consumer softens, automakers are seeking to cap labor costs / greater flexibility in the event a downturn emerges, especially around temporary workers.

Yet, the perspective of the UAW is that with profits still robust (especially at GM), they are resistant to make major concessions, with the union seeking more permanent workers and job security. And it's worth flagging that nearly 42% of UAW workers have never experienced a downturn in the US auto industry³.

Figure 7: GMNA has generated EBIT above \$10.5bn for the last 4 years, and we expect them to achieve ~\$12bn of profit in 2019, leading to a tough environment for negotiation; yet a mildly negative industry outlook is also in the mix



Source: Company data, Credit Suisse estimates

- **GM capacity shutdown:** Also central to the negotiations was GM's move last November to 'unallocate product' to four US factories – assembly facilities in Lordstown, OH and Detroit-Hamtramck, MI, as well as the transmission plants in Warren, MI and Baltimore (also included in the announcement was the Oshawa plant in Ontario, Canada). The move to effectively idle/shutter these plants in the middle of a contract likely created

³ See: Naughton, Nora, "A Wild Car in Detroit Labor Talks: Workers Who Haven't Seen Hard Times," *Wall Street Journal*, 7/16/19

a tension into the negotiations – with the UAW vowing to fight this at the bargaining table⁴.

Though note, GM has planned to offer a job for all 2,800 of the impacted employees, noting on its 2Q call that 1,700 of the employees accepted transfer to plants supporting 'growth segments.' Moreover, as part of the negotiations, it offered 'solutions' for the facilities in Lordstown and Hamtramck, with a plan to eventually build an electric pickup in Hamtramck.

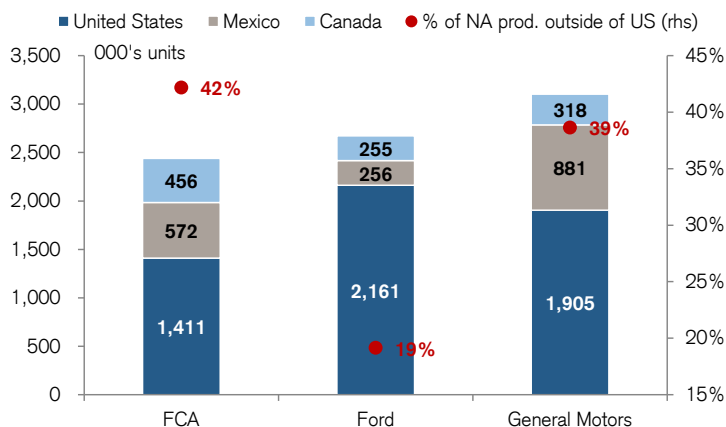
- **Federal probe:** Lastly, also in the backdrop of negotiations is an ongoing federal corruption probe among UAW leaders, that is "eroding the confidence of many rank-and-file members."⁵

■ **What are the risks a strike spreads to Ford or FCA?** At the moment there is no impact to Ford and FCA, as the UAW signed indefinite contract extensions with them. It is certainly possible in the future that a strike ultimately hits Ford and FCA, and it is difficult to tell where negotiations currently stand. However, it's important to note that the circumstances of the GM strike in part arose from GM's decision last November to shutter capacity – a move that was unique to GM.

We'd note, however, that Ford is not without risk. Given it is still amid transformation, one could argue that it has an added need for flexibility in the US, vs. GM, which is coming from a much stronger financial position.

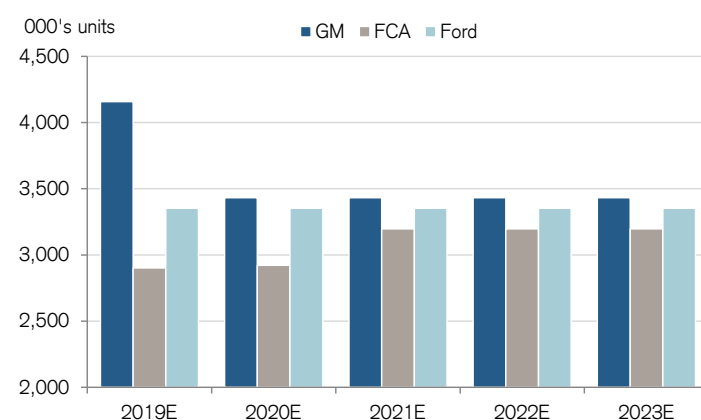
Meanwhile, for FCA, there is potentially less risk of strike, in particular amid its moves to upgrade / expand US capacity (i.e. its announcement from February this year to invest \$1.6bn to convert the two plants comprising the Mack Ave. Engine Complex into the assembly site for the next-gen Jeep Grand Cherokee and a new 3-row full-size Jeep SUV).

Figure 8: D3 NA production by country, 2019E; Ford produces considerably less vehicles in Can/Mex than its counterparts



Source: IHS Automotive

Figure 9: D3 straight-time capacity; GM is expected to shed capacity going into 2020



Source: IHS Automotive

■ **What are the historical precedents?** In prior negotiations (typically quadrennial), more often than not we did not see strikes materialize. However, there are two precedents we'd cite:

⁴ Ibid., Naughton

⁵ Ibid., Naughton; Naughton, Nora, "United Auto Workers Official Charged in Widening Federal Probe," *Wall Street Journal*, 9/12/19

- **UAW nationwide strike of 2007:** The UAW had a nationwide strike against GM from Sep 24-26, 2007, announcing a strike at 11am on 9/24 and announcing a tentative agreement at 4am on 9/26. It was the first nationwide strike against GM since 1970, and key sticking points were wages, job security, and benefits⁶.

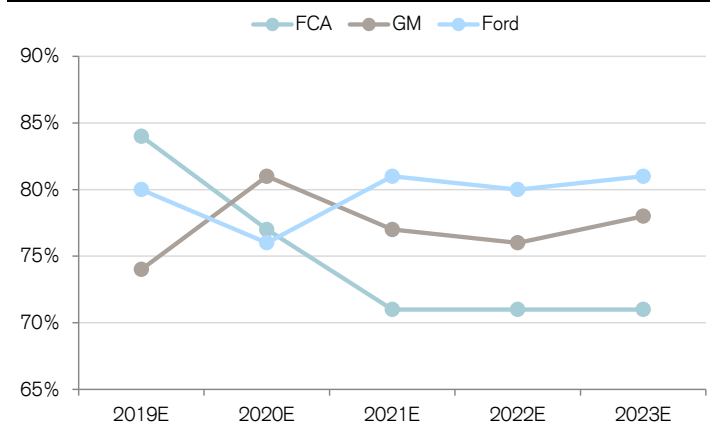
We'd argue to the extent the current strike is limited to only ~2 days, the financial impact to GM will be limited.

- **Flint strike of 1998:** While the last nationwide strike pre 2007 was in 1970, GM experienced a strike in two of its parts plants in Flint, MI in 1998 (one of which was a legacy Delphi plant, back when Delphi was owned by GM). This strike was far reaching, lasting 54 days and costing GM 576k vehicles in lost production, with a cost of ~\$2bn⁷.

We'd note, however, that this strike occurred at a time when OEM-labor relations were likely much weaker, and also reflected a much less operationally robust version of GM vs. today.

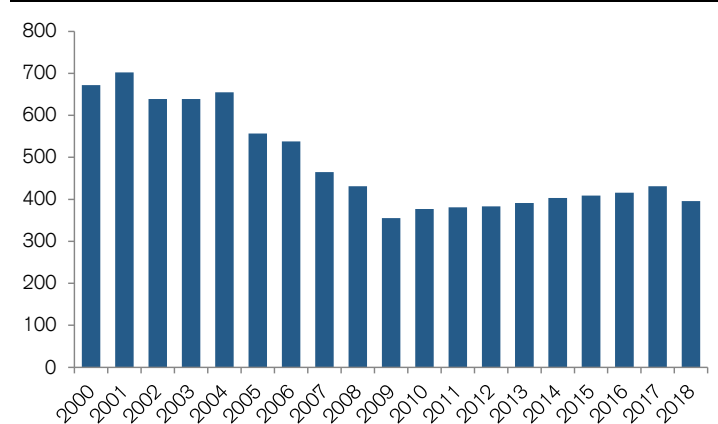
- **What to do with the stock?** We have been positive on GM given its opportunity to post strong profit in 2H, with a strong set-up into 2020, driven by continued health in truck and cost actions. While these catalysts still can play out, the news of a strike potentially could drive a profit drag if the strike is in place for an extended period of time. And even if that doesn't occur, at the very minimum it's optically a negative – while also potentially reminding investors of the challenges of investing in OEMs at this point in the cycle.

Figure 10: D3 NA straight-time capacity utilization



Source: IHS Automotive

Figure 11: UAW membership (in thousands)



Source: U.S. Labor Department Bureau of Labor Statistics, Automotive News

⁶ See: "UAW Strikes GM: Pickets go up at automaker's plants", *Detroit Free Press*, 9/24/07

⁷ See: "In Aftermath of UAW Strikes, GM Seeks to Justify the Costs", *Wall Street Journal*, 7/30/98

Companies Mentioned (Price as of 15-Sep-2019)

Daimler (DAIGn.DE, €48.54)
Fiat Chrysler Automobiles N.V. (FCHA.MI, €12.56)
Ford Motor Company (F.N, \$9.45)
General Motors Company (GM.N, \$38.86, OUTPERFORM, TP \$50.0)
Honda Motor (7267.T, ¥2,933)
Hyundai Motor Company (005380.KS, ₩129,000)
Kia Motors (000270.KS, ₩44,100)
Nissan Motor (7201.T, ¥714)
Subaru Corporation (7270.T, ¥3,075)
Toyota Motor (7203.T, ¥7,396)

Disclosure Appendix

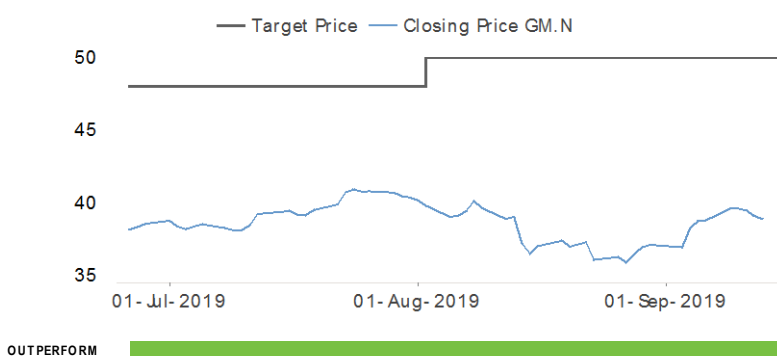
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I, Dan Levy, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for General Motors Company (GM.N)

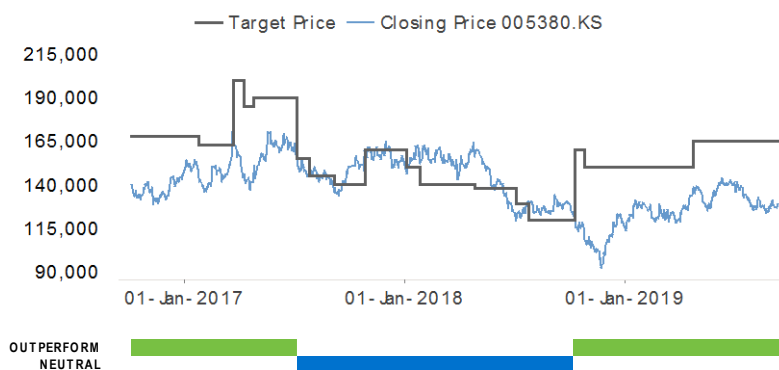
GM.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
26-Jun-19	38.13	48.00	O *
02-Aug-19	39.78	50.00	

* Asterisk signifies initiation or assumption of coverage.

**3-Year Price and Rating History for Hyundai Motor Company (005380.KS)**

005380.KS	Closing Price	Target Price	
Date	(₩)	(₩)	Rating
05-Oct-16	140,000	168,000	O
25-Jan-17	142,000	163,000	
23-Mar-17	165,000	200,000	
10-Apr-17	146,000	185,000	
26-Apr-17	151,000	190,000	
07-Jul-17	151,500	155,000	N
27-Jul-17	146,500	145,000	
06-Sep-17	136,000	140,000	
27-Oct-17	158,500	160,000	
04-Jan-18	146,500	150,000	
26-Jan-18	152,500	140,000	
27-Apr-18	158,000	138,000	
04-Jul-18	119,500	129,000	
26-Jul-18	130,000	120,000	
10-Oct-18	120,000	160,000	O
26-Oct-18	108,000	150,000	
24-Apr-19	138,500	165,000	

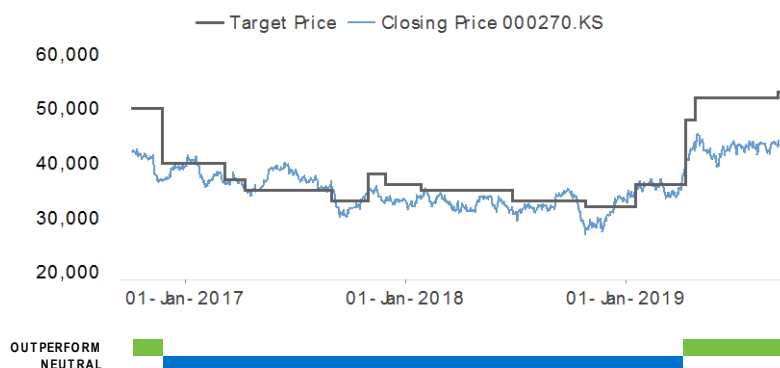
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Kia Motors (000270.KS)

000270.KS	Closing Price	Target Price	
Date	(W)	(W)	Rating
05-Oct-16	42,150	50,000	O
24-Nov-16	36,950	40,000	N
07-Mar-17	36,700	37,000	
10-Apr-17	35,550	35,000	
31-Aug-17	35,450	33,000	
30-Oct-17	34,550	38,000	
29-Nov-17	33,350	36,000	
26-Jan-18	33,500	35,000	
27-Jun-18	31,000	33,000	
26-Oct-18	27,850	32,000	
16-Jan-19	34,850	36,000	
09-Apr-19	38,950	48,000	O
25-Apr-19	42,450	52,000	
10-Sep-19	43,200	53,000	

* Asterisk signifies initiation or assumption of coverage.



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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

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*Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and Asia stocks (excluding Japan and Australia), ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark (India - S&P BSE Sensex Index); prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.

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Restricted	2%	

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Target Price and Rating

Valuation Methodology and Risks: (12 months) for General Motors Company (GM.N)

Method: Our \$50 target price and OUTPERFORM rating are based on a 50/50 blend of sum-of-the-parts valuation (\$50 price) and PE (\$49 price). Our \$50 SOTP price is derived from \$16.440mn in 2020 automotive EBITDA ex equity income at a 2.1x multiple, and from \$1.070mn of equity income at a 7.5x multiple. We believe these multiples are reasonable given our view that core auto is in secular decline and the JV income has superior growth prospects, as it is coming off easy comps. Moreover, our \$49 P/E-FY' 20 price is based on \$7.02 of 2020 EPS at a 7.0x multiple, which we view as reasonable given GM's expected continued operational strength, the lack of value investors are currently placing on Cruise.

Risk: Risks to our \$50 target price and Outperform rating include weakness in GM's core end markets (in particular North America, but China as well), elevated competitive pressure in GM's core vehicle segments, and added margin pressures as GM funds its push to AV and EV.

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